

Message Text

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TO SECSTATE WASHDC 0041

INFO AMEMBASY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

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TAGS: ENRG PFOR EINV VE

SUBJ: OIL NATIONALIZATION- PETROLEOS DE VENEZUELA,
THE NATIONAL HOLDING COMPANY, IS ESTABLISHED

REF: CARACAS 8952, 7033

1. SUMMARY. ONE DAY AFTER SIGNING THE OIL REVERSION LAW,
PRESIDENT CARLOS ANDRES PEREZ ESTABLISHED PETROLEOS DE VENEZUELA
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(PETROVEN) AS THE NATIONAL HOLDING COMPANY FOR THE OIL

INDUSTRY. THE PRESIDENT NAMED A NINE-MAN BOARD OF DIRECTORS CONSISTING OF FOUR FULL-TIME AND FIVE PART-TIME MEMBERS, WITH FOUR ALTERNATES. THE BOARD PRESIDENT IS RETIRED GENERAL RAFAEL ALFONZO RAVARD, WHOSE EMINENT QUALIFICATIONS FOR THE JOB ARE WELL KNOWN. THE OTHER EIGHT MEMBERS ARE ALSO CONSIDERED TO BE WELL QUALIFIED AND ABLE INDIVIDUALS. PETROVEN WILL HAVE INITIAL ASSETS OF ABOUT BS 8 BILLION. THE HOLDING COMPANY WILL IMPLEMENT OIL POLICY AS DETERMINED BY THE MINISTRY OF MINES AND HYDROCARBONS, AND WILL ADMINISTER THE NATIONALIZED OPERATING COMPANIES. A SYMBOLIC FIRST BOARD MEETING WAS HELD SEPT 1 IN THE OFFICE BUILDING OF CREOLE PETROLEUM COMPANY WHERE PETROVEN WILL HAVE ITS HEADQUARTERS. MANY OF THE DETAILS PERTAINING TO THE STRUCTURE AND OPERATIONS OF THE HOLDING COMPANY REMAIN TO BE WORKED OUT. OF FIRST PRIORITY IS THE CONCLUSION OF NEGOTIATIONS WITH THE OIL COMPANIES CONCERNING THEIR OIL-NATIONALIZATION PARTICIPATION IN THE VENEZUELAN OIL INDUSTRY. END SUMMARY.

2. ON AUG 30, 1975, PETROLEOS DE VENEZUELA (PETROVEN) WAS FORMALLY ESTABLISHED BY DECREE 1123, AS PRESIDENT PEREZ INDICATED IT WOULD BE WHEN HE SIGNED THE OIL REVERSION LAW THE PREVIOUS DAY. SIMULTANEOUSLY, BY DECREE 1124, THE NINE-MAN BOARD OF VENEZUELAN DIRECTORS WAS APPOINTED.

3. PETROVEN WILL BE THE STATE HOLDING COMPANY FOR THE NATIONALIZED OIL INDUSTRY WITH FULL RESPONSIBILITY FOR ADMINISTRATION AND POLICY GUIDANCE BEGINNING JAN 1, 1976. INITIAL ASSETS OF THE COMPANY WILL BE ABOUT BS 8 BILLION, CONSISTING OF A GOV-OFFICIALLY ESTIMATED BS 5.5 BILLION IN FIXED ASSETS (PLANT AND EQUIPMENT) PLUS BS 2.5 BILLION WORKING CAPITAL. FORTY PERCENT, OR BS 1 BILLION OF THE CAPITAL, WILL BE IMMEDIATELY SUBSCRIBED BY MEANS OF A SUPPLEMENTARY BUDGET REQUEST BY THE MINISTRY OF FIANCE TO THE DELEGATED COMMITTEE OF THE CONGRESS(THE FULL CONGRESS IS NOW IN RECESS). THE SECOND TRANCHE OF BS 1.5 BILLION WILL BE INCLUDED IN THE CY 1975 REGULAR BUEGET. THE CAPTITAL ASSETS WILL BE HELD IN THE FORM OF 100 NON-TRANSFEREABLE SHARES DENOMINATED IN THE NAME OF THE REPUBLIC OF VENEZUELA. FUTURE WORKING CAPITAL, ASPROVIDED FOR IN LIMITED OFFICIAL USE

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ARTICLE SEVEN OF THE REVERSION LAW, WILL CONSIST OF TEN PERCENT OF NET MONTHLY REVENUE FROM OIL EXPORT SALES OF THE OPERATING COMPANIES.

4. PRESIDENT PEREZ PROVIDED A DETAILED DESCRIPTION OF PETROVEN'S CHARTER IN HIS INDEPENDENCE DAY SPEECH OF JUL 5, 1975. HE SAID THAT THE COMPANY WILL BE IN CHARGE OF FULFILLING AND IMPLEMENTING THE (OIL) POLICY SET BY THE STATE

THRU THE MINES AND HYDROCARBONS MINISTRY. PEREZ SAID THAT PETROVEN WILL HAVE ITS HQS IN CARACAS. IT WILL HAVE A LIFE SPAN OF FIFTY YEARS WHICH CAN BE EXTENDED FOR SIMILAR PERIODS. THE SUPREME MANAGEMENT OF PETROVEN WILL REST WITH AN "ASSEMBLY- HEADED BY THE MINES AND HYDROCARBONS MINISTER. (IT IS NOT CLEAR WHO WILL MAKE UP THE "ASSEMBLY". WE DO UNDERSTAND THAT THE MINISTER OF MINES WILL IN EFFECT VOTE ALL THE STOCK IN PETROVEN.) THE BOARD OF DIRECTORS WILL BE THE ADMINISTRATIVE AGENCY OF THE COMPANY. PETROVEN, PEREZ ADDED, WILL STUDY A REORGANIZATION OF THE OPERATING COMPANIES IN ORDER TO REDUCE THEIR PRESENT NUMBER, BEARING IN MIND GEOGRAPHICAL LOCATION, NATURE OF ACTIVITIES, CONSOLIDATION OF PLANS, UNIFICATION OF SYSTEMS AND OTHER FACTORS WITH THE OBJECTIVE OF AVOIDING DUPLICATION AND EXPENSES AND GUARANTEEING EFFICIENCY AND PROFIT. (CURRENTLY, ALL PUBLIC STATEMENTS REFER TO SIXTEEN OPERATING COMPANIES TO BE TRANSFERRED TO THE HOLDING COMPANY, WHICH IMPLIES SOME IMMEDIATE CONSOLIDATION SINCE THE MINES MINISTRY PUBLISHES PRODUCTION STATISTICS ON TWENTY-ONE COMPANIES.)

5. THE BOARD OF DIRECTORS (NAMES AND BIO-DATA ARE PROVIDED BELOW) WAS SWORN IN ON AUG 30, 1975 BY PRESIDENT PEREZ. A SYMBOLIC FIRST BOARD MEETING WAS CONVENED ON SEP 1 ON THE EIGHTH FLOOR OF THE CREOLE PETROLEUM COMPANY OFFICE BUILDING IN CARACAS, WHICH HAS BEEN DESIGNATED AS THE HDQS OF PETROVEN. THE MEETING WAS PRINCIPALLY FOR THE BENEFIT OF PUBLIC AND A LARGE FLOCK OF REPORTERS WAS THERE TO WITNESS AND RECORD THE EVENT. THE ONLY BUSINESS CONDUCTED WAS TO ANSWER REPORTERS' QUESTIONS. AFTERWARDS, THE PETROVEN BOARD PAID A COURTESY CALL ON THE BOARD OF DIRECTORS OF CREOLE (SOON TO BE RENAMED LAGOVEN).

6. AT THIS FIRST MEETING, IT WAS ANNOUNCED THAT THE COMPANY LIMITED OFFICIAL USE

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WILL BE INSCRIBED IN THE COMMERCIAL REGISTER WITHIN THE WEEK. THE COMPANY WILL THEN BE AUTHORIZED TO BEGIN BUSINESS. DESCRIBING HOW THE OIL COMPANIES' CONCESSIONS WILL BE TRANSFERRED TO THE STATE, THE PETROVEN VICE PRESIDENT SAID THE FOLLOWING: "SOMETIME BETWEEN TODAY (SEP 1) AND DEC 31, THE CONCESSIONAIRES WHO COME TO A COMPENSATION AGREEMENT WITH THE GOVT WILL FORM NEW COMPANIES, WHICH THEY WILL OWN 100 PERCENT. FOR EXAMPLE, IN THE SPECIFIC CASE OF CREOLE, A COMPANY WILL BE FORMED BY CREOLE UNDER THE DIRECTION OF THE STATE WHICH WILL BE CALLED LAGOVEN, WHICH WILL BE PRESIDED (OVER) BY DR GUILLERMO RODRIGUEZ ERASO, (A VENEZUELAN, CURRENTLY EXECUTIVE VICE PRESIDENT OF CREOLE). THE MAJORITY OF CREOLE'S PERSONNEL WILL BE TRANSFERRED TO THAT COMPANY, AND IT WILL OPERATE THE CONCESSIONS... CREOLE'S CONCESSIONS AND NET ASSETS WILL ALSO BE TRANSFERRED

TO LAGOVEN, AND ON DEC 31, WHEN THE CONCESSIONS EXPIRE,
THE VENEZULAN STATE WILL PURCHASE ALL OF LAGOVEN'S STOCK.
WE WILL THEN HAVE THE PERSONNEL AND THE ASSETS AND THE
EXPIRED CONCESSIONS, WITHOUT ANY INTERRUPTION. THE COMPANY
WILL CONTINUE OPERATING, BUT ITS OWNERSHIP WILL CHANGE DEC 31.
INSTEAD OF BEING CREOLE, THE OWNER WILL BE PETROLEOS DE VENEZUELA."

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7. THE PETROVEN BOARD OF DIRECTORS. PRESIDENT - GENERAL
(RETIRED) RAFAEL ALFONZO RAVARD. WELL- KNOWN FORMER PRESIDENT
OF THE VENEZUELA GUAYANA CORPORATION. DEGREE IN ENGINEER-

ING FROM MIT. GIVEN MAJOR CREDIT FOR INDUSTRIAL DEVELOPMENT OF THE GUAYANA REGION. REPUTATION AS EXCELLENT ADMINISTRATOR. RESPECTED BY THE OIL COMPANIES AND BY FOREIGN INVESTORS IN GENERAL.

VICE PRESIDENT - JULIO CESAR ARREAZA. 52. GRADUATE OF LIMITED OFFICIAL USE

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CENTRAL UNIVERSITY IN CARACAS. LAWYER. TEN YEARS WITH MINES MINISTRY, FIRST AS LEGAL ADVISER AND THEN AS DIRECTOR GENERAL(DEPUTY MINISTER). SINCE 1969 HE HAS BEEN IN PRIVATE SECTOR AS DIRECTOR OF VARIOUS COMPANIES. TOGETHER WITH MINES MINISTER AND ALFONZO RAVARD, HE IS MEMBER OF COMMISSION NEGOTIATING POST-NATIONALIZATION AGREEMENTS WITH OIL COMPANIES.

FULL-TIME MEMBER- HOSE DOMINGO CASANOVA MENDOZA. 61. FORMERLY ENGINEER WITH CREOLE PETROLEUM COMPANY. GRADUATE OF OKLAHOMA UNIVERSITY. MANAGER IN CREOLE INVESTMENT COMPANY, AND THEN MANAGER OF CREOLE'S OPERATIONS IN EASTERN VENEZULEA. MOST RECENTLY HAS BEEN OGV OBSERVER OF SUN OIL COMPANY.

FULL-TIME BOARD MEMBER - EDGAR A. LEAL. 34. ECONOMIST. FORMERLY VICE PRESIDENT OF FIRST NATIONAL CITY BANK IN VENEZUELA. ONCE ASSISTANT PETROLEUM ATTACHE IN VENEZUELAN EMBASSY IN WASHINGTON. ACTIVE IN OPEC AFFAIRS IN MINES MINISTRY AND HEADED INTERNATIONAL MARKETING DEPT UNDER ALIRIO PARRA IN OFFICE OF PETROLEUM ECONOMICS UNDER PREVIOUS AD GOVT. STUDIED AT STAUNTON MILITARY ACADEMY, ROLLINS COLLEGE,AND CATHOLIC UNIVERSITY.

PART - TIME BOARD MEMBER - ALIRIO A PARRA. HIGHLY REGARDED ECONOMIC CONSULTANT WITH OIL COMPANIES, OPEC SECRETARIAT, WORLD BANK AND IDB AS CLIENTS. EXTENSIVE SERVICE WITH GOV IN OIL ACTIVITIES, PARTICULARLY WITH AD ADMINISTRATONS. FORMERLY WAS PETROLEUM COUNSELOR IN VENEZUELAN EMBASSY IN WASHINGTON, CHIEF OF MINES MINISTRY OFFICE OF PETROLEUM ECONOMICS, OPEC GOVERNOR FOR VENEZUELA. IN ADDITION TO HIS CONSULTING BUSINESS AND NEW PETROVEN RESPONSIBILITIES, PARRA IS SERVING ON COMMISSION RECENTLY ESTABLISHED TO NEGOTIATE MARKETING AND OIL PRICE AGREEMENTS WITH OIL COMPANIES.

PART-TIME BOARD MEMBER - JULIO SOSA RODRIGUEZ. WELL-KNOWN SENIOR OFFICIAL OF PREVIOUS COPEI ADMINISTRATION. VENEZUELAN AMBASSADOR TO THE US FROM 1969 TO 1972. SPECIAL AMBASSADOR WHO NEGOTIATED VENEZUELA'S ENTRY INTO ANDEAN PACT. SUCCESSFUL BUSINESSMAN (JULIO CESAR ARREAZA SERVED ON BOARD OF HIS INSURANCE COMPANY.) STUDIED ENGINEERING AT CORNELL AND LIMITED OFFICIAL USE

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OKLAHOMA UNIVERSITIES.

PART-TIME BOARD MEMBER - CARLOS GUILLERMO RANGEL. 52. LAWYER. FORMER PRESIDENT OF DECAMARAS BUSINESSMAN'S ORGANIZATION. FIRST PRESIDENT OF THE VENEZUELA INVESTMENT FUND, FORM WHICH HE RETIRED EARLIER IN 1975 DUE TO POOR HEALTH (HEART ATTACKS). GRADUATE OF CENTRAL UNIVERSITY AND CURRENTLY MEMBER OF UNIVERSITY'S LAW FACULTY. DIRECOTR OF SEVERAL BANKS AND INSURANCE COMPANIES.

PART-TIME BOARD MEMBER - BENITO RAUL LOSADA. 52. GRADUATE OF CENTRAL UNIVERSITY. FINANCIAL EXPERT. MINITER OF FINANCE 1967-68. PRESIDENT OF CENTRAL BANK 1968-71. ALSO SERVED AS VENEZUELAN GOVERNOR OF IMF AND IBRD. GRADUATE DEGREES FROM COLUMBIA AND NORTHWESTERN UNIVERSITIES. ALSO WELL-KNOWN VENEZUELAN POET.

PART-TIME BOARD MEMBER- MANUEL PENALVER. 49. LABOR REPRES-
SENTATIVE. ACTIVE INAD PARTY AS NATIONAL LABOR SECRETARY. FOUNDER OF FEDDEPETROL, THE LARGEST OIL WORKERS UNION. ALSO WORKED IN HIS EARLY CAREER FOR CREOLE AND THE SMALL LAS MERCEDES OIL COMPANY.

ALSO NAMED WERE FOUR ALTERNATES TO THE BOARD. JOSE MARTORANO BATTISTI, LUIS PLAZ BRUZUAL (LONG-TIME MINES MINISTRY DIRECTOR OF HYDROCARBONS, NOW RETIRED), GUSTAVO CORONEL (YOUNG SHELL OIL COMPANY EXECUTIVE AND ALSO HEAD OF OIL COMPANY WITE COLLAR EMPLOYEES ASSOCIATION), AND RAUL HENRIQUEZ ESTRELLA. AS NOTED, THERE ARE ONLY FOUR FULL-TIME BOARD MEMBERS. THE GOV INTENTION IS TO KEEP THE HOLDING COMPANY AS A LEAN, NON-BUREAUCRATIC, NON-POLITICAL OPERATION, WITH EXECUTIVES OF THE HIGHEST CALIBER.

8. PETROVEN BEGINS WITH AN ENORMOUS TASK TO PERFORM AND MANY DETAILS YET TO BE DECIDED. NEGOTIATIONS WITH THE OIL COMPANIES MUST BE CONCLUDED. THE GOV EXPECTS TO CONCLUDE PACKAGE AGREEMENTS FOR TECHNICAL SERVICES AND OIL SALES FOR A TWO-YEAR PERIOD, RENEWABLE FOR AN ADDITIONAL TWO YEARS. THE SUCCESSFUL CONCLUSION OF SUCH AGREEMENTS WILL DETERMINE WHEN PETROVEN GETS DOWN TO BUSINESS. THE QUESTION OF HOW TO FUND THE HOLDING COMPANY APPEARS TO HAVE BEEN RESOLVED

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THRU THE DEVICE OF DIRECT BUDGETARY APPROPRIATIONS, RATHER THAN THRU THE VENEZUELAN INVESTMENT FUND AS ONCE

CONSIDERED. THE INVESTMENT FUND'S STATUTES WOULD HAVE REQUIRED IT TO PARTICIPATE ON THE BOARD AND IN THE MANAGEMENT OF THE HOLDING COMPANY, A COMPLICATING FACTOR THE GOV DECIDED TO AVOID. HOW PETROVEN AND THE MINISTRY OF MINES WILL INTERFACE IS MORE COMPLICATED THAN IT MIGHT NOW APPEAR, AND WILL BE THE SUBJECT OF FUTURE REPORTING. A HOST OF PERSONNEL AND OTHER DECISIONS AWAIT PETROVEN ACTION (E G WHO GOES AND WHO STAYS ON THE VARIOUS OPERATING COMPANY BOARDS OF DIRECTORS, AND HOW TO WARD OFF THE ONSLAUGHT OF POLITICIANS LOOKING FOR PRESTIGIOUS JOBS; HOW TO MERGE THE OIL COMPANIES INTO MORE EFFICIENT UNITS, WHICH MIGHT BECOME IMMEDIATELY NECESSARY IN SOME INSTANCES).

9. ON SEP 4, MINES MINISTER HERNANDEZ NAMED ANDRES AGUILAR AS LEGAL ADVISER AND AQUILES MARCANO AS COMPTROLLER OF PETROVE. AGUILAR IS THE WELL- KNOWN LAWYER WHO HEADED VENEZUELA'S LOW OF THE SEA CONFERENCE DELEGATIONS IN 1974 AND 1975, SERVED AS VENEZUELAN AMBASSADOR TO THEUS (1972-1974) AND THE UN (1969-1972). HE ALSO WAS VENEZUELAN MINISTER OF JUSTICE (1958-1962). MARCANO IS A HIGHLY - REGARDED PUBLIC ACCOUNTANT WITH MANY BLUE-CHIP CLIENTS. THE EMBASSY HAS NO RECORD OF ANY PREVIOUS PUBLIC SERVICE BY MARCANO.
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